

Lula's Plummeting "Workers' Regime": A Stew of Corruption

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"Nobody has the moral authority to discuss ethics with me" President Lula da Silva

Corruption has devastated the Lula regime in Brazil. Every sector of Lula's "Workers Party"(PT) has been implicated in bribery, fraud, vote buying, theft of public funds, failure to report illicit campaign financing and a host of other felonious behavior, revealed almost daily between May-July 2005. All of Lula's closest and most important advisers, congressional leaders and party bosses have been forced to resign and are under congressional investigation for illegal large-scale transfers of funds into electoral campaigns, private enrichment, and financing full time functionaries. So far the only officials not implicated in felony investigations are Lula and the millionaire ministers who direct the regime's neo-liberal policies. Even here Lula's president of the Central Bank-Mireilles-is under investigation for tax evasion and fraud from the time he was the director of the Bank of Boston. Apparently the millionaire cabinet members, unlike the upwardly mobile arrivistes of the Workers Part have no need to rob the public treasury-they earn plenty speculating on the market or exploiting workers and peasants.

What are the politics of the pervasive corruption endemic in the PT? Why has a party which began a quarter of a century ago as a vibrant, democratic, participatory parter, based on social struggles and movements degenerated into a corrupt elite party backed by financial speculators and agro-mineral interests and run by greedy upwardly mobile professionals?

In the early 1990's the PT expelled militants, converted the party from a 'movement-party' to an electoral party and transferred decision-making from popular assemblies to parliamentary and state officials. The PT turned to professional electoral advisers, paid electoral campaigners, and increased dependence on the mass media. The predominance of electoral politics and mass media campaigning required greater financing at a time when fewer militants were willing to contribute to the electoral machine. The party and parliamentary elite increasingly developed ties with private sector contractors to secure contributions in exchange for public contracts. With the rise of Lula to the Presidency these practices multiplied, as thousands of PT functionaries occupied posts and began to develop their own private sources of financing. Lula's neo-liberal agenda and appointment of big businessmen and bankers to the key economic posts was based on securing the support of the right-wing parties in Congress, as it adversely affected popular social movements, trade unions and especially public sector unions.

The political problem that Lula faced in securing the support of the rightwing congress-people was two fold: most of the political offices were taken by the PT officials, hungry to

capitalize on their electoral victory, hence Lula could not compensate the right with offers of office; secondly while the right was completely in accord with Lula's policy, they were political rivals, they competed for support of big business. In order to secure their votes Lula's closest advisers then resorted to bribing the rightwing parliamentarians—with payments reputed to be \$12,000 (USD) a month per congress-person, paid via a public relations firm which worked with the Lula regime.

The PT was no longer an ideological party of the left, having adopted a program of promoting agro-business, (receiving 90 per cent of agricultural credits), finance capital (\$90 billion paid out in debt payments in 30 months—more spent in debt payments in one month than for education, health and agrarian reform in a year) and mining and petroleum. What held the PT together was the “patronage of office”—corruption, co-option, enrichment and clientelism. Political power and the values of neo-liberal ‘individual enrichment’ became the dominant motive for seeking influential positions.

The opposition from the right—from the Social Democratic Party and the Liberal Front Party, is not over programmatic differences. The opposition is attempting to recapture the big business base, the support of the IMF, World Bank and international financiers whom Lula has attracted to his government.

The principle groups “crying for Lula” are not the urban workers or rural dispossessed, but the bankers, foreign investors, millionaires and speculators who have gained billions during his reign of office. The Financial Times and the Wall Street Journal are greatly disturbed that the corruption investigations will prevent Lula from carrying out the rest of his reactionary neo-liberal agenda. As the FT (July 22, 2005,) states “The corruption scandal seems likely to postpone any further reforms of the sort that have bolstered Mr. Lula da Silva's reputation on Wall Street. Day-to-day government has been paralyzed by the scandalmeasures to introduce a public-private financing initiative will go on the back burner, as well as a proposal to grant autonomy to the Central Bank.”

Thanks to the corruption investigation and the “paralysis” of Congress, Lula will not be able to privatize the remaining public services and infrastructure and hand over the Central Bank to the financiers (the more autonomy from Congress, the greater the integration into the financial sector). The actual workers in the public sector scheduled for “public-privatization” have had their jobs, salaries and pensions preserved, thanks to the corruption scandal of the “Workers” Party.

While Lula has lost key allies for his neo-liberal transformation of Brazil, he has moved further to the right—replacing PT cabinet ministers with officials from the Conservative Party and PMDB — the Brazilian Democratic Movement Party—and others.

Because of Lula's support of Wall Street, the City of London and the IMF prescriptions there is absolutely no chance of a coup. As the saying goes, military coups never happen against the IMF. The biggest loser in the debacle of Lula's regime has been the Landless Workers Movement, which has continued to support the government even as scores of peasant activists have been killed, tens of thousands of land squatters have been forcibly evicted and Lula has continually reneged on every promise of agrarian reform. During the height of the corruption scandal, even as Lula made more explicit his widening coalition with the right wing parties of landlords and speculators, the MST joined the co-opted trade union bureaucrats in organizing a pro-Lula demonstration against “destabilization” and corruption.

The pro-Lula policies of the MST has not only severely weakened the struggles of the landless peasants but has divided the opposition and strengthened the “old right”, Social Democratic and Liberal Front parties. While some speculators have reduced their exposure in the Brazilian stock market, the big investment houses are still rushing to secure profits from the high-yielding Brazilian assets, paying the highest interests rates in the world-between 18per cent and 25per cent.

The speculative bubble, which spurred 5 per cent growth in 2004, has come to an end. Brazil is expected to grow at approximately 2 per cent in 2005, with manufacturing entering into a recession, thanks to the free market policies, which have inundated the Brazilian market with cheap Asian industrial goods. While the opposition parties and mass media pursue the deepening corruption scandal up to the innermost circle of the Lula regime, big business and banking interests are not in favor of replacing Lula prior to the elections of 2006. The Financial Times (July 25, 2005) in an editorial continues to praise Lula’s free market performance but advises him to “take more responsibility for have allowed (corruption) to happen” and “to re-organize his government around a programme to secure stability”. In the meantime with the cooling off of the commodity boom, the Brazilian currency overvalued by 20 per cent, manufacturers are hoping that Lula will be replaced by Vice President Alencar of the Liberal Party, a major textile owner and defender of state promoted industrial policy and lower interest rates.

Whether Lula remains in office or is ultimately forced to resign depends not so much on how closely he is implicated in the corruption scandals, as is the impact of his departure on the financial markets. In either case, whether Lula resigns (or is impeached) or remains, the major investment consultants expect the opposition to continue the monetarist neo-liberal policies, which Lula promoted so ardently, even to the point of buying congressional votes to reduce pensions, freeze minimum wages and subsidize agro-business exporters. It is the supreme irony that the once independent militant Landless Workers Movement joins Wall Street in defending a regime immersed in corruption. At least the bankers have harvested \$100 billion in interest and principle, the MST has over 40,000 displaced land squatters to add to the 200,000 families living in plastic tents by the side of highways. “Don’t cry for Lula”, a banker told me, “he spoke for them but he worked for us.”

When Lula is no longer able to buy, convince, co-opt or corrupt congress-people, or manipulate the populace and is no longer effective in pursuing neo-liberal reforms, the ruling elite will toss him aside.

The Lula regime has accomplished many “firsts” in Brazilian history during its first 30 months in office.

No government has moved so far and so fast to the right.

No government party has had more top party leaders, congress-people and ministers and functionaries under investigation for fraud in such a brief period.

No government has paid more in foreign debt interest and principle in such a short time.

No government has created more multi-millionaires in 30 months.

No government has disillusioned more poor voters in such a brief period.

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